

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
PRIORITY MAIL
PRIORITY MAIL CONTRACT 168

Docket No. MC2016-42

COMPETITIVE PRODUCT PRICES
PRIORITY MAIL CONTRACT 168 (MC2016-42)
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2016-51

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2,
WITH PORTIONS FILED UNDER SEAL**
(January 22, 2016)

The United States Postal Service hereby provides notice of filing its responses to Chairman's Information Request (CHIR) No. 2, which was issued on January 13, 2016. Responses were due by January 20, 2016. Responses to Questions 1-5 are attached. Responses to Questions 6-11 are being filed under seal. The Postal Service herein incorporates by reference the original Application for Non-Public Treatment in this docket, for the protection of this material.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Elizabeth A. Reed

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3179, Fax -6187
elizabeth.a.reed@usps.gov
January 22, 2016

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1. Please refer to the financial workpapers filed with the Request.
 - a. Please confirm that miles and work hours for this contract will be disaggregated from all Priority Mail contracts.
 - b. If not confirmed, please explain why Priority Mail as a whole is an appropriate proxy for these elements in the analysis of this contract.
 - c. Please explain how the Special Purpose Route (SPR), City Carrier Assistant (CCA), and Rural Carrier Assistant (RCA) workhours will be determined for this contract.
 - d. Please explain if the Postal Service will report the disaggregation between SPRs and CCA routes by individual contract or for all same day delivery Priority Mail contracts.

RESPONSE:

- a. Confirmed.
- b. N/A
- c. The Postal Service will track packages delivered by SPR and CCAs as applicable for each customer. For packages delivered by CCAs, workhours will be reported through a specific operation code. Mileage will be extracted from dynamic routing. RCAs will be not used. For packages delivered by SPR, the CRA15-based cost will be used. The workhours will be provided for all packages delivered by CCAs.
- d. The Postal Service will only provide data at the aggregate levels for CCA routes for same day delivery Priority Mail contracts. See the response to Question 1(c).

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2. The MCS identifies groups of Competitive Domestic Negotiated Service Agreements. The Postal Service proposes to include this contract within the group "Priority Mail Contracts." See MCS section 2505.5. Does the Postal Service object to:
- a. Including this contract within a proposed new MCS group identified as "Priority Mail Same Day Delivery Contracts" (to be included in the MCS under proposed new section 2505.13)? If the Postal Service objects, please explain the reasons for each objection.
 - b. Renaming the agreement to fit within the proposed new group, e.g., "Priority Mail Same Day Delivery Contract 4"? If the Postal Service objects, please explain the reasons for each objection.

RESPONSE:

- a. Yes, the Postal Service objects to classifying this contract within a new proposed MCS group. The Postal Service has had many Priority Mail contracts with different terms and features that are unique to a certain customer or a certain group of customers. For example, the Postal Service has had a handful of "Priority Mail contracts" for flat rate products, or weight/zone packages, or cubic packages, or Priority Mail Open and Distribute packages, all of which have unique terms and conditions, and unique elements in the cost model. To date, none of these Priority Mail contracts have been classified as a separate subgroup of Priority Mail contracts. In the Postal Service's view, it would be inconsistent to begin doing so with Priority Mail same day delivery contracts.
- b. Yes, the Postal Service objects to renaming the contract, for the same reasons stated in response to Question 2(a).

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3. Please confirm that the data collected for this contract will be classified as Priority Mail for In-Office Cost System (IOCS); Management Operating Data System (MODS); Time and Attendance System (TACS); Revenue, Pieces, and Weight (RPW); and other Postal Service data reporting systems, as well as in the Annual Compliance Report and the Cost and Revenue Analysis Report.
- a. If confirmed, please discuss the impact this contract will have on Priority Mail data as a whole in these data reporting systems and reports.
 - b. If not confirmed, please explain how data collected for this contract will be classified.
 - c. Please identify how employees' workhours will be measured when interacting with the packages associated with this contract.

RESPONSE:

a. Confirmed. Yet because of the small volume for this contract (approximately 0.0001 percent of Priority Mail volume) and the nature of the product that has very little in-office handling, it is exceptionally unlikely that IOCS, a sampling system, would happen to record an employee handling such pieces. If such an unlikely event should occur, the costs for handling would be attributed to Priority Mail. MODS and TACS do not record packages shipped under this contract. RPW obtains the data for this contract from Census systems; therefore, RPW would also classify such data as Priority Mail. Other Postal Service data systems would similarly classify it as Priority Mail.

Therefore there will be no measurable impact on product costs.

- b. N/A
- c. Please see the response to Question 3(a).

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4. Please explain how supervisor costs are piggybacked onto delivery cost calculations for this contract for CCA routes, RCA routes, and SPRs.

RESPONSE:

For packages delivered by CCAs, supervisor costs were piggybacked by multiplying by the direct labor rate by the appropriate piggyback factor from USPS-FY14-NP19, FY14-NP19.PB.xls. For packages delivered by SPR, the piggyback calculations are shown in the 'Delivery Costs' Tab.

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5. The following question concerns administrative costs.
- a. Please confirm that the Postal Service will continue to use the technology developed in the Metro Post market test to support this product.
 - b. If confirmed, please explain how the Postal Service proposes to treat any costs associated with changing or updating this technology over the duration of the contract.
 - c. If not confirmed, please explain how the Postal Service proposes to treat any costs associated with changing or updating any technology supporting this contract over its duration.
 - d. Please explain how future potential administrative costs for this contract will be treated and specifically identify if these costs will be disaggregated by individual contract or as a group of contracts.

RESPONSE:

- a. Confirmed.
- b. The Postal Service proposes to address technology updates using established CRA methodology.
- c. N/A
- d. Future potential administrative costs will be tracked at the product level, and will not be disaggregated.